

ing the governments to '... aim to improve the quality and efficiency of the civil service as well as to establish an ethical norm within the system'. While not trying to discredit these recommendations and the analysis that led to them, this reader found that the chapter does not speak to the rest of the book very well and the volume would not lose any value without it.

Apart from this comparative intermezzo, Wang's study has no issues worth mentioning. One, admittedly very minor, annoyance is the occasional misspellings in the Chinese *pinyin* used throughout the book (e.g. pp. 46; 71; 87). All in all, this volume is a highly valuable addition to the study of bureaucracy and civil service in general, and a good example of quality fieldwork in the tricky environment of the Chinese political system. It is a well-crafted piece of scholarship that anyone interested in the Chinese political system at large should read, and anyone working with the bureaucracy specifically must read.

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Victor Nee and Sonja Oppen, *Capitalism from Below: Markets and Institutional Change in China*, Cambridge and London: Harvard University Press, 2012, 431 pp., notes, bibliography, index. ISBN: 978-0-674-05020-4 (hardcover).

The contribution of privately owned enterprises to national output and employment has increased substantially throughout the course of the Chinese economic transition. Once marginalized, bit-part players, private industry had already grown large enough by the mid-1990s to absorb many of the state sector's laid-off industrial workers. The private sector now employs more workers than the previously dominant state and arguably represents the beating heart of future growth. The private sector's increased prominence is particularly noteworthy, given the government's previous attempts to stifle its development through restrictive policies. Given this context, there is clearly a need for an account of the development of the private sector in China, distinct from the numerous published works that have focused on state-owned enterprises exclusively. Victor Nee and Sonja Oppen, in their meticulously researched, insightful and well-written book, seek to explain the rise of private entrepreneurship in an environment that has been often hostile to its

existence, based on personally conducted fieldwork in seven provinces of China's Yangzi Delta region, the hotbed of Chinese entrepreneurship. The authors, with backgrounds in sociology and economics respectively, present a nuanced narrative that is concerned with the mechanisms that have facilitated cooperation between individuals and thus allowed entrepreneurship to take off.

Nee and Oppen's major conceptual contribution is that of a multi-level model of institutional change. This model is introduced early on in the book. Given the absence of external finance and a supporting legal framework, Chinese entrepreneurs have been forced to develop by themselves an appropriate framework to manage their relationships with other aspiring businessmen, spanning alternative sources of financial support and the development of supplier and sales networks, in addition to securing long-term cooperation by agreeing on sanctions for misconduct. Such social norms are posited to have a larger bearing on the development of the private enterprise economy than state-initiated rules, as argued in the political economy perspective of institutional change. Though the state would have a role to play in the presence of a collective action problem, whereby actors cannot construct for themselves the institutions they require, a change in preferences in favour of self-supporting norms for cooperation has the ability to influence how business is conducted. Not only that, the authors argue convincingly that a groundswell of entrepreneurial action has the ability to moderate the formal laws specified by the state.

The success of the authors' argument is in the details they present of the self-created institutional framework that allowed entrepreneurship to develop. Like-minded businessmen in pursuit of success could ill afford to tough it out on their own. Rather than retreating, given the threat of competition eroding the viability of their products and services, social norms of mutual help, imitation and consultation emerged. Located in geographically concentrated industrial clusters, entrepreneurs started out by conducting personalized exchange established through relational ties, sharing information and resources in the process. Without recourse to formal legal channels to resolve business disputes, mediation is carried out by a mutual contact. Status in the community acts as a strong disincentive to reneging on an agreed upon transaction.

The close proximity to suppliers and distributors has helped businesses to keep costs down and in doing so, further enhanced the prospects of success outside of the state's marketing channels. An additional advantage of the agglomeration of firms within the same industry is

its attractiveness to technical workers and specialty producers, helping private firms find the type of workers they require.

In an environment where decoupling from the state meant going against the grain, entrepreneurs were careful to give outsiders the impression that organizationally, they were no different from the other major players. Following central corporatization policy, entrepreneurs moved in waves to take advantage of the opportunity to register as limited liability companies, making them, for practical purposes, indistinguishable from incorporated public companies. The authors remark that the act of registration alone became a form of legitimacy for private firm owners previously considered outcasts, and served as a form of protection from expropriation.

The entrepreneurs under investigation are introduced as being predominantly from unprivileged backgrounds, driven by material success and possessing a relatively large amount of human capital. This latter finding is a particularly curious one. While we are told that today the best and brightest are also drawn to the private sector and not just cushy state enterprise jobs, a discussion of whether more advanced levels of educational attainment is a prerequisite for entrepreneurial success in China is not included. It is nonetheless difficult to fault the analysis overall since the insights presented are the result of the informative and wide-ranging data sample the authors have at their disposal rather than misleading conclusions thrown in to tie the loose ends of the story together, as one often sees in mainstream accounts of China's rise.

Whereas previous studies have illustrated the importance of political capital in China's transitional economy in terms of personal returns to education in the labour market, Nee and Oppen provide econometric evidence that membership in the Communist party does not increase the likelihood of private firm success. This is important, since such a finding would have undermined somewhat the arguments put forward. While the maintenance of positive relations with the government certainly has a role to play, particularly in regulated markets, political capital by itself is viewed as being of lesser importance in relation to established and widespread social norms governing business operations.

Lessons from the rise of the private enterprise economy are not stretched too far beyond the Chinese context. We are told that the social mechanisms at work are general ones, yet the application is squarely aimed at China. This is not a serious drawback, in fact there are so many particularities of the Chinese case that sole treatment is warranted. While focusing on China as a 'special' case is no genuine justification

for avoiding international comparison, the tools of economics and sociology are effectively deployed here to critically analyse the evidence on hand and thus tease out valuable findings that carry enough weight independently.

In sum, *Capitalism from Below* would appeal most to China scholars. Readers with some familiarity with the New Institutional Economics may also have an easier time than others in following some of the arguments presented. Nevertheless, this is an approachable book that should appeal to readers with a general interest in the Chinese economy. Indeed, this book would serve as a useful complement to the more widely read texts that provide overviews of post-1978 economic developments. Econometric models, where they do appear, serve to complement the theory, yet should not turn off prospective readers without a corresponding background in statistical methods. Similarly, the detailed appendices documenting the research methods utilized serve as a useful reference for academics conducting fieldwork of their own, but ignoring this section would not interrupt the flow of the narrative. Overall, the book is highly recommended to those interested in an analysis of a prevalent yet often overlooked ground-level process behind China's economic rise.

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